

DEFERRED COMPENSATION PLAN MANAGEMENT BOARD MEETING MINUTES

DATE: Friday, December 4, 2015
TIME: 9:00 am
PLACE: 5th Floor - Finance Conference Room
255 West Alameda
Tucson, Arizona 85701

Members Present: Joe Barkenbush, Chair
Dennis Woodrich, Elected Member
Steve Postil, Elected Member
Karen Tenace, Deputy Finance Director
Rebecca Hill, Interim HR Director

Staff Present: Silvia Navarro, Treasury Administrator
Dave Deibel, Deputy City Attorney (departed 10:30)
Dawn Davis, Administrative Assistant

Guests Present: Ken Wedemeyer, ICMA-RC
Michelle Martin, ICMA-RC
Mary Inorio, ICMA-RC
Mike Galloway, Galloway Asset Management
Nanette Eberhardt, Galloway Asset Management
Tamara Jamison, Galloway Asset Management
Kristopher Goins, Galloway Asset Management

Absent, Excused: None

A) Call to Order – Chairman Barkenbush called the meeting to order at 9:00 AM.

B) Consent Agenda

1. Approval of Board Meeting Minutes from September 4, 2015

A motion to approve the Consent Agenda was made by Dennis Woodrich, 2nd by Karen Tenace, and passed by a vote of 5 – 0.

C) Investment Performance Review

1. City of Tucson Plan Investments Report for period ending September 30, 2015
 - a. Scorecard Metrics
 - b. Watch List Report
2. Funds to be considered for replacement in the future

Ken Wedemeyer began by going over the watch list report. The PIMCO Real Return fund's 3 year ranking was driven by its 1 year number. It is more conservative than other inflation protected funds. According to NPR an interest rate increase has already been priced in. The short term bond is something the Board needs to look at. Many people moved their funds out of the Total Return fund with the change in management. ICMA-RC

believes it is the shop that is driving the numbers as opposed to the management change, but the Board should consider replacement if it stays in its current position. The Vanguard Total Bond Market has moved back up on the 1 year compared to peer. PIMCO High Yield had some fluctuation when viewed last quarter, and the numbers show what the volatility of the market has done for them this quarter. The T. Rowe Price Growth Stock is only on the watch list because of the recent manager change. Goldman Sachs Mid Value was added a year and a half ago, and is a fund that does not have a lot of turnover, it has a very disciplined portfolio. If the trend of the last 2 quarters continues the Board may want to consider some alternatives. Munder Mid-Cap Core Growth is on the watch list for the 2nd quarter in a row, this is the first time they have been on the watch list for more than 1 consecutive quarter. ICMA expects the current ranking is short term, if it looks like they are going to jump off a cliff alternatives can be provided for the Board's consideration. There has been a little movement on the Vanguard Small Cap Index, though there have not been any changes in management. American Funds have missed the IPS for a while, they were fine for 2 quarters, and now the volatility of the market has affected them and they are just a bit off again. The 5 and 1 year rankings show the same type of market volatility. That fund is something to watch, it has very low expenses and a very long track record. Oppenheimer Developing Markets almost made it off the watch list in the 2nd quarter and then they significantly underperformed in the 3rd quarter. They did well in October because they have a higher risk portfolio. If they reach a point where their 1 year number starts to affect their 3 year number ICMA can provide alternatives for the Board's consideration. Nuveen Real Estate almost made it onto the watch list for a 2nd quarter; ICMA-RC believes it is a solid fund. Nuveen has high portfolio turnover but is on the low end of the turnover compared to other Real Estate funds. Their 3 and 5 year rankings are in the top quartile.

The Target Date funds have moved to the R9 classification, so in the Plan Investment Reports the rankings will show "n/a" because the registered share is not available. The watch report shows the actual numbers for the shares the Plan has. Only the higher equity Target Date Funds missed the IPS because of the volatility of the market and their comparison to peer, they have higher exposure to international stocks and did not do well. The new composition of those funds, available in the plan analytics, came from the Plan Investment Report. Two of the model portfolios have come off of the watch list for the quarter, and the other 2 are still on the watch list. He asked if the Board wanted to combine the model portfolios into a single blend fund, or did they want to map them into target date funds and do away with the model portfolios completely. Since about November 2013 Fidelity Puritan Fund, which is part of the trust series, has been in the top quartile and would be a good replacement for the 2 model portfolios that are underperforming. The issue would be that they do not have a share that has revenue of less than 25 basis points, so they would be going from 5 to 25. About 10% of the assets being discussed would have a large revenue change that would then have to go back. All Equity Growth has about 80% in equities and 20% in fixed. The Traditional Growth has around 60% in equities. The Board should probably consider portfolios with a minimum of 60% in equities as alternatives. He suggested talking about these issues with some alternatives at the next Board meeting.

The Board decided to leave the model portfolios in place until they could be discussed with options for replacement at the meeting scheduled on March 4, 2016.

Mr. Wedemeyer advised he would have alternatives for the funds discussed, and 2 or 4 of the model portfolios for the Board to make a decision.

Chairman Barkenbush stated rather than replacing all 4 of the model portfolios, maybe they could reduce the lineup to 2.

Mr. Wedemeyer answered they could look at that scenario, and a scenario that has 60+% in equities to replace the All-Equity Growth and Traditional Growth while keeping the Long-Term Growth and Cons. Growth portfolios.

D) Plan Analytics and Education Report ¹

1. Plan Snapshot
2. Communication Metrics
3. National Save for Retirement Week Report

Ken Wedemeyer said the end of the quarter had not been pretty in terms of the market. The assets that had moved down moved back up at the beginning of this quarter; there has been a lot of volatility which can be seen in the numbers across the board. The biggest jump was in the Guaranteed Lifetime Income asset class. The cash flow was in line with the value of the accounts. The asset allocations are slightly different between men and women, which is why they put out communications that are gender based.

Mr. Wedemeyer explained ICMA-RC has focused most of their recent messaging on the group getting ready to retire in order to ensure they had all the information they needed. For the first 6 months of 2016 he would like the messaging focus to return to asset allocation because the market bubble should be through. The split by age band shows that most of the assets lie in the 70-90 age groups, and most of the assets in that age band are in the Stable Value fund. National Save for Retirement Week went really well, thanks to staff. There were a lot of attendees and those 3 days, October 20, 21, and 22, resulted in 31 new enrollments. At one point Mr. Wedemeyer, Ms. Inorio, and Doris Rentschler were all signing up new enrollments.

SIGN UP FOR SAVINGS

Join the City of Tucson 457 Plan and receive a \$50 contribution to jump start your retirement savings.

- ▶ New accounts only
- ▶ Contribute a minimum of \$10 per pay period
- ▶ \$50 contribution offer is limited to the first 300 City employees to enroll



Outside Retirement Accounts?



Simplify Your Finances through a direct rollover to the City of Tucson's 457 Plan and consolidate all your retirement investments under one roof. It's easier to manage online and receive only one consolidated quarterly statement.

Questions?

Your Retirement Plan Specialist, Mary Inorio, is here to help!

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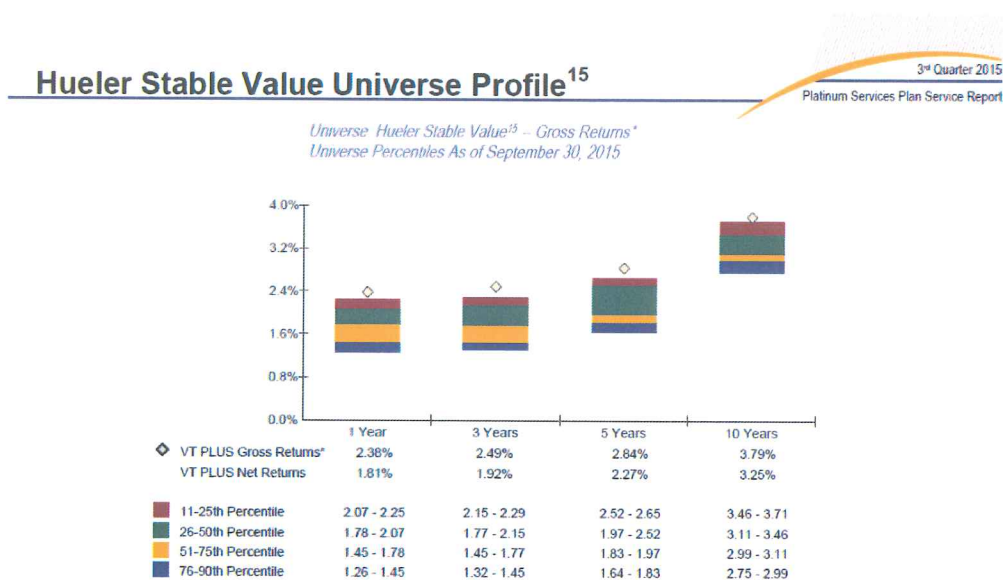
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Mr. Wedemeyer showed the Board the new communication to be used pending the approval of the \$50 new enrollment incentive for 2016. It could be distributed online or as a flier. The contractual requirements for on-site consultations and on-site seminars were exceeded, and the enrollment and contribution increases were up. Year to date, as of 10/1/15, ICMA-RC representatives had completed 114 on site consultation days, 55 on site seminars with 402 attendees, 495 portfolio reviews, 278 financial transactions, 112 457 enrollments, 7 Roth IRA enrollments, 188 contribution increases, and \$6.6M in rollins. Contract to date (10/1/14 to 10/1/15) representatives had completed 147 of the 140 onsite consultation days, 75 of the 70 on site seminars with 574 attendees, 736 portfolio reviews, 393 financial transactions, 187 457 enrollments, 7 Roth IRA enrollments, 230

contribution increases, \$7.7M in rollins, and \$10M in rollouts. An ICMA-RC Certified Financial Planner (CFP) has completed 18 of 16 on site seminars with 390 attendees, 16 financial plans, and 34 financial transactions. The most popular seminar topics were Social Security Planning with a Public Sector Focus, and Estate Planning for Everyone. They were the best attended and for one of them they ran out of space for reservations. The Plus Fund is either in the 1st quartile or number 1, over 1, 3, 5, and 10 years in the Hueler Stable Value Universe Profile, as shown in the following table.



As the interest news of the day raises costs in other parts of the world; it should eventually have a positive effect on the Plus Fund. He then asked Rebecca Hill if there were any future plans ICMA-RC should be aware of or sensitive to.

Rebecca Hill answered it was too early to say, but they were going to try to roll out wellness activities.

Mr. Wedemeyer advised they could add a financial wellness aspect to support the Know Your Numbers events.

E) New Enrollments receiving a \$50 incentive Program

1. Participation for 2015
2. Review of Administrative Allowance Account, consideration of Enrollment Incentive Program for 2016

Chairman Barkenbush asked how many \$50 incentives had been distributed for new enrollments in 2015.

Mr. Wedemeyer answered there had been 224 new enrollments as of 11/30/15, and he estimated it would be around 250 for 2015, which would be the closest they have come to the 300 allotted by the Board for this purpose.

A motion to set aside \$15K to fund the \$50 new enrollment incentive, for the first 300 participants in 2016 was made by Dennis Woodrich, 2nd by Rebecca Hill, and passed by a vote of 5 – 0.

F) 2015 Deferred Compensation Board Meeting Calendar Dates

Chairman Barkenbush advised the meeting dates for 2016 had been distributed to the Board and would be sent to the City Clerk's office for posting, and that he would not be able to attend the meeting scheduled on March 4, 2016.

G) Fee Based Advisory Services on 457 and 401(a) Plan's Self Directed Brokerage Option (TD Ameritrade) – Galloway Asset Management

This item was taken out of order and considered after item C.

Dave Deibel explained he had been in contact with Catherine Langford, a retirement plan specialist, regarding this item, expressing some concerns and she responded via email with the following information. This merits some conversation with the union and Galloway Asset Management (Galloway) before they present to the Board. All the retirement programs offered through the City are sponsored by the City with consent of the Council. Without further information she would say that the Deferred Compensation Plan Management Board cannot add another program without the City's approval. They went through this process for the PSPRS 401a and the plan documents typically require the City to implement the program. The Deferred Compensation Board would administer this type of program and it would be approved by the City. She suggested that the City or Tucson Police Officers Association (TPOA) ask Galloway submit how this program varies or adds to the City's current retirement offerings and go forward from there. If the program being discussed offers value and fills a gap, discussion of the new program can be added to a future Deferred Compensation Board meeting agenda. The 401a program was not put out for bid and the City ended up with a program that does not serve the intended purpose.

Mr. Deibel summarized by saying the Board needed to discuss whether there is a desire to add another plan, and how to go about it. The City used to have more than one 457 program and chose to consolidate to one.

Silvia Navarro explained in 2006 they went out to bid and ICMA-RC won the bid.

Chairman Barkenbush clarified there had been 3 plans: the self-administered plan, the ICMA-RC plan, and Nationwide. Because the Mayor and Council approved the plan, any changes to it would have to go back to them for approval; so the Board only has the authority to recommend whether this would add any value to the plan. There have been requests, mostly from Police and Fire to have a self-directed option with advice on individual stock options, which was not offered as part of the current plan.

Dennis Woodrich stated the plan currently had a self-directed brokerage option.

Chairman Barkenbush answered members had the ability if they have at least \$25K in the plan, but they would be making their own investment decisions.

Kristopher Goins, treasurer for TPOA, was a police officer and a former air traffic controller; both of which he does very well, but when it comes to investments he would prefer to have a professional assist him, especially since it was for his retirement.

Chairman Barkenbush clarified that he was looking for expertise.

Mr. Goins answered in the affirmative.

Chairman Barkenbush stated there were a lot of firms out there and asked whether they would have to go out to bid on this.

Mr. Deibel answered that was a decision the Board would make, as indicated in the email from Ms. Langford.

Mr. Woodrich thought the Board would need to confer with procurement because if they allowed Galloway in there would be nothing to keep Edward Jones out.

Mr. Deibel advised, as the procurement attorney, the Board was not tied to that, they could make the decision. If they decided on an RFP it would be because they wanted to add a process that was somewhat independent of the Board itself.

Steve Postil asked who would provide oversight for this program.

Mike Galloway explained he was not there to recommend or propose any new programs; only to educate the Board about a program that already exists in the ICMA-RC plan that the Board could choose to activate. The plan has 26 investment choices in the ICMA-RC fund line up, and a self-directed brokerage account (SDBA) is merely the 27th choice. Any employee can activate the self-directed portal. The most common SDBA options are Charles Schwab and TD Ameritrade. Both of those companies come with advisor networks; and Galloway is in both of those networks. ICMA-RC has partnered with TD Ameritrade and a form must be completed, in order to activate the advisor network, which would require Board action. In Arizona over 90% of municipal employees have access to the advisor network within their plans. The Board would not be deciding whether to work with Galloway Asset Management, they would be deciding whether to give members access to the TD Ameritrade advisor network with thousands available advisors, including Galloway. Activating this option would allow employees to choose from those thousands of advisors to manage their investments for them as opposed to doing it themselves.

Chairman Barkenbush asked if there was any language in the documentation stating that the City and Board were not liable for the results of any investment decisions made while utilizing the SDBA.

Mr. Galloway answered yes there was. Typically, when the member opens a SDBA they sign a form releasing the Board, City, and ICMA-RC from liability. The member has to open an account and sign the liability waiver before they can begin shopping for an advisor.

Chairman Barkenbush confirmed the member had to have at least \$25K in their account before they could open a SDBA.

Ken Wedemeyer answered that was correct and when a member opens a SDBA they do sign a waiver of liability stating that they are responsible for their actions within that portal.

Karen Tenace asked if the members were informed of potential transaction fees when shopping for an advisor.

Mr. Galloway answered yes. Each of the advisors has a different fee schedule, so there is paper work the member has to sign, with their chosen advisor, stating fees and the fiduciary responsibility of the advisor to the client. This is a heavily regulated industry and the documentation has to clearly state any fees. The fees are broken down into 365ths, so if the member fires the advisor the annual fees would be prorated.

Chairman Barkenbush asked about the range of fees.

Mr. Galloway answered he could only answer for Galloway and they have different programs with fees ranging from \$1 a month to 1.25%. There are thousands of advisors available and they all have different fee schedules.

Chairman Barkenbush asked if most of the members utilizing Galloway's services were going into individual stocks or mutual funds.

Mr. Galloway answered it varies and when there are thousands of firms available there is a wide range of options. Galloway uses ETFs, individual stocks, and some funds. There are around 5,000 investment choices on the TD Ameritrade platform, which gives them the opportunity to do a lot of different things.

Karen Tenace asked the Board if they had previously had any discussions about activating this option within the plan.

Chairman Barkenbush answered the SDBA option has come up a few times, and it had been determined that the members had to have at least \$25K in the program to utilize this option.

Mr. Galloway stated their firm was unique in that they felt members should keep their money in the municipal plan after they retire, and manage it within that plan. When an employee is on their own they do not have the

protection of a deferred compensation board or the City. Galloway encourages public safety employees to put their drop rollovers into the plan which provides them with a level of protection. Also, if they decide to leave Galloway they are still in their City plan because once that money is rolled out of the City plan it cannot be put back in after separating from City employment. Individual retirement accounts do not have the benefits a municipal plan does. Many of the advisors courting City employees, as they get ready to retire, are encouraging them to take their funds out of the ICMA-RC plan. Retirees also have the option of taking part of their balance out of SDBA to place it into something like the Plus Fund so they can withdraw from there instead of their SDBA. A lot of people do not realize that there is a new federal law, effective 1/1/16, that eliminates the 10% penalty for public safety officers if they are aged 50+, but only if the funds are still within the employer plan.

Chairman Barkenbush asked what percentage of the fee based income received by Galloway would come back to ICMA-RC for record keeping.

Mr. Galloway answered none; ICMA-RC gets revenue sharing from TD Ameritrade. Galloway was better off reducing their fee and not giving any money to a record keeper. If they charged more in order to have money to give to a record keeper it would not be in the client's best interest. He asked if ICMA-RC had revenue sharing with any other advisors within the TD Ameritrade network.

Mr. Wedemeyer answered no.

Chairman Barkenbush asked if TD Ameritrade shared in part of the record keeping.

Mr. Galloway answered TD Ameritrade pays ICMA-RC part of their record keeping fees, but the advisors have nothing to do with that.

Mr. Wedemeyer explained there were 6 basis points from TD Ameritrade that go towards the City's revenue requirement for the assets in SDBAs.

Ms. Tenace asked for further clarification on the 6 basis points from TD Ameritrade.

Mr. Wedemeyer explained at the end of the quarter there was \$262,846 in SDBAs and TD Ameritrade provides ICMA-RC 6 basis points on that amount and those basis points are credited toward the overall revenue requirement for the plan. The Plus Fund assets would have 5 basis points of revenue.

Ms. Tenace asked for background information on Galloway and the typical profile of an advisor in their firm.

Mr. Galloway was a police lieutenant for the City of Mesa, prior to that he was in the Marine Corps, which transferred into the pension system and made him eligible for retirement in 2001. While preparing for retirement he met with several financial advisors to get help investing within his deferred compensation plan and was told by all of them he needed to take the money out of the municipal plan, which he did not want to do. He started the firm to provide government workers with advisors who could assist them while leaving their money in the municipal plans. Galloway is federally registered in all 50 states. In the SDBA space they are in both the Schwab and TD Ameritrade advisor networks. Schwab handles about 80% of the assets in the country and Galloway Asset Management is the largest firm within the Schwab network. All their advisors are registered investment advisors, and authorized financial planners. Those are regulatory requirements so any advisor within the TD Ameritrade platform would have to have those credentials. A very large percentage of the Galloway employees have come from a municipal background and specialize in catering to the needs of government employees. Many cities have engaged them to do more than be on the advisors network. They currently have contracts with Phoenix, Glendale, Mesa, and Tempe; so they do a lot of work for municipalities within their government space and plans.

Ms. Tenace asked how many FTEs were in the firm.

Mr. Galloway answered 34. They are very active in the Nationwide plan through the Tucson Firefighters Association, and are under contract with them to provide financial advice and financial wellness training to all fire department employees. After the financial crisis many fire fighters lost a large portion of their income from overtime hours and suicide rates spiked dramatically in public safety. Galloway Asset Management worked with the City of Phoenix to develop a financial fitness and wellness program as a part of the suicide prevention program because financial distress has been identified as one of the 3 key contributors to suicide. The program has been picked up at the national level and will begin in January 2016. The whole firm is designed to support government employees inside their government plans, which makes them very unique.

Mr. Woodrich felt Galloway had an advantage over their competitors through drop awareness, and now they were pitching to the Board to allow them to provide service through ICMA-RC.

Mr. Galloway answered the firm can make the drops without the Board activating this option, but the employees would not get the benefit of keeping their money in the Tucson plan, they would have to roll it out. In any City the record keepers, like ICMA-RC, do a very good job of trying to provide education and coaching for employees, but there is a large segment of employees who do not have the time or aptitude and want help from financial advisors. Galloway already works with ICMA-RC on behalf of other municipalities, and they were not pitching to the Board on a predatory basis. The reality is the advisor network that is already a part of the plan has been activated by more than 90% of government employees in the state of Arizona. The Charles Schwab advisor network is activated by default, and the TD Ameritrade advisor network has to be activated, and has been activated in Chandler, and Peoria.

Ms. Tenace asked about the downside of activation.

Mr. Galloway answered it could be if TD Ameritrade has a bad advisor. The members the Board is trying to protect are much more likely to have negative consequences outside of the plan than inside it. If there is a bad TD Ameritrade advisor they are not going to survive very long within the network. Galloway has been audited 15 to 20 times, because the industry is heavily regulated. Employees are suffering from more self-inflicted damage, due to a lack of knowledge, than anything else. He gave the example of when he was still in the system; he could not tell anyone how his money was invested. When he signed up the deferred compensation representative told him which options were conservative and aggressive and he picked one, and that was the extent of his knowledge at that time. They think anyone can do it themselves and there are many programs to teach them how, but they also feel the member would have to spend several hours a week staying on top of it and do it themselves. Most people do not want to commit to that kind of time. Galloway has been in business for 15 years and have never had a complaint filed against them. The Board's decision on this issue is not about their firm, it is about giving members access to the TD Ameritrade advisor network within the City plan.

Chairman Barkenbush expressed concern because the goal was to keep as much money in the fund as possible, and there was competition out there trying to move the funds into IRAs and other accounts outside of the program.

Mr. Galloway said their firm does more business than any other firms in the state combined, as far as drop rollovers and taking money out of the plan. In Cities where they are allowed to function within the plan they do not have such a large amount of funds rolling out. The large rollout numbers could probably be explained by members speaking with advisors who are telling them to roll the money out of the plan so they do not have to manage it themselves, which is unfortunate because members can always do better inside the plan than out of it, because the City has a lot of bargaining power that an individual lacks. More money will stay in the plan with activation of the advisor network than without; this opinion is based on the firm's experience in every city they work in.

Rebecca Hill asked about the one-time set up fee of \$50 for the self-directed brokerage window listed on page 87 of the Plan Service Report from ICMA-RC.

Mr. Galloway stated that had nothing to do with the network advisors.

Mr. Wedemeyer answered it would be charged of any employee who opened a SDBA.

Ms. Hill asked if Galloway also charged a one-time set up fee.

Mr. Galloway answered no, and none of the advisors in the network would have a fee like that. The fee is a function of the City's contract with ICMA-RC because they have to create and send out extra reports when members have a SDBA.

Ms. Tenace asked if the new law avoiding the 10% early withdrawal penalty in a municipal plan would change the rollout trends on its own.

Mr. Galloway answered in theory it should, but the reality is now the advisors will tell members if they want a financial advisor to manage their money for them they do not have a choice and have to leave the municipal plan. He doubted many advisors would even tell the members about the new law. There are 2 pots of money, the existing 457 funds and the potential inflows of money coming out of the drop program. Theoretically the drop money is not part of the deferred compensation plan; it is just money that a public safety employee has and can put anywhere. Galloway tells them to put it in their City plan.

Ms. Tenace asked Mr. Wedemeyer about any downsides he could see, and if he could speak about other clients who had activated this option.

Mr. Wedemeyer answered he did not have the history to talk about the metrics of activated plans or to know of the downside yet.

Mr. Galloway explained ICMA-RC was fairly new to having the self-directed brokerage option. In other cities there is not a huge stampede to go into SDBAs, but there would be drop funds coming in and a reduction of funds rolling out.

Mr. Wedemeyer stated the only concern he would have is to make sure they have clear messaging set up so there is no confusion to the members.

Ms. Tenace stated the messaging to members regarding SDBA should include absolving the Board of fiduciary responsibility, and full disclosure on fees.

Mr. Postil agreed because he felt adding the option would give the appearance of the Board sponsoring the option and reviewing the advisors.

Mr. Galloway explained when members sign up for SDBA they had to sign a liability waiver that includes the whole program. The same holds true even when the member is not hiring an advisor. A member cannot hire an advisor until they have a SDBA.

Mr. Woodrich asked if this meant their potential client pool was the 7 people who are currently in SDBAs.

Mr. Galloway answered yes and no. When people get ready to retire and look for where to put their drop money, Galloway will tell them they can keep it in the plan. When the advisor network is open there will be more use of SDBA because employees like the idea of hiring an advisor to do it for them and a lot of them are intimidated by the thought of doing it on their own.

Tamara Jamison said the money that leaves ICMA-RC to go to Nationwide, for Tucson Fire employees, is rolled out primarily because the member wants to utilize the SDBA and hire an advisor.

Mr. Wedemeyer advised around 15% of the assets rolled out went to Nationwide.

Mr. Galloway said when they did financial wellness training in Tucson, if there was a firefighter enrolled in ICMA-RC who wanted help, and did not want to use a SDBA, Galloway helped them select the funds within

their ICMA-RC account on a complimentary basis. If they said they wanted a managed account Galloway Asset Management would advise they were unable to work within the ICMA-RC account and the funds would have to be moved to Nationwide; but in Peoria, where this option has been activated, when an ICMA-RC member says they want a managed account in the SDBA option Galloway is able to open up that account for them inside ICMA-RC.

Mr. Postil repeated his concern over the appearance of oversight from the Board when there is none because the information will be in the reports distributed to the Board by ICMA-RC.

Mr. Galloway thought the SDBA option went a long way toward reducing the liability of the municipality for the oversight of the plan. He gave the example of a municipality in California that decided not to activate the advisor network available through their plan, the decision was challenged, went through a 2 year process, and the Board's decision was overturned.

Mr. Postil asked if it had to go to Mayor and Council for approval or if the RFP process had to be done.

Mr. Galloway answered they had already gone through the process.

Mr. Deibel explained this was a policy decision only and the Board could take action on it.

Mr. Galloway answered the City already went through the bid process to procure an advisor network. ICMA-RC, who won the bid, utilizes the TD Ameritrade advisor network for the SDBAs. The Board is only deciding on whether or not to activate the option that would give members access to the advisor network within ICMA-RC.

Michelle Martin explained when the City completed the application to adopt the brokerage account through TD Ameritrade there was a box that asked if they wanted to allow advisors, the City selected not to do this. When the City selected no it asked whether they wanted to allow for investments in individual securities and ETFs, the City selected to allow this. So it is a matter of policy to change whether they wanted to allow advisors, the Board would not be endorsing any advisors within the network they would only be allowing members to hire them. The Department of Labor has issued an opinion that when a plan makes a brokerage available the decision making body is not accepting responsibility.

Chairman Barkenbush stated the Board's concern was keeping as much money in the plan as possible and this appeared to be a vehicle to do that.

Ms. Tenace asked if the Board could review the waivers the members would sign and the education provided to members; to confirm they are provided with sufficient information and they are aware the Board is not liable and make a decision at the Board meeting scheduled on March 4, 2016.

Ms. Hill responded this would be after the mass retirement from TPD and TFD were completed and the funds were moved out of ICMA-RC.

Mr. Galloway did confirm at the end of the month the City would have the biggest mass retirement in its history.

Ms. Tenace asked to see the paperwork the member would sign.

Mr. Deibel advised that from what ICMA-RC and Galloway had said the Board could make a decision at this meeting. It is a fiduciary decision to be made by the Board and it could be made today.

Mr. Galloway read the TD Ameritrade waiver of liability: You are solely responsible for determining suitability in investments available and you agree to fully identify and hold harmless your employer, your plan administrator, and record keeper of any and all service providers to the plans.

Nanette Eberhardt distributed one of the Galloway packets to be signed by a member hiring them to work through the SDBA.

Mr. Galloway explained that every advisor would have a different packet; but the waiver of liability is standard.

Mr. Woodrich asked how many people were dropping in the next month.

Mary Inorio answered this year there were approximately 175 public safety employees who would be retiring by the end of the year. Many of them have already retired.

Mr. Woodrich asked how long they had to make a decision on where to put their drop money after they retire.

Ms. Inorio answered it typically takes 4 weeks for the money to be rolled over into another plan.

Ms. Jamison explained there was a form that had to be completed before they dropped indicating where their money would go.

Mr. Woodrich stated time was of the essence for the public safety employees who have not left yet.

Chairman Barkenbush asked if they had any experience with members turning over all investment decisions to the advisor, or do the advisors give a recommendation and the member authorizes each investment.

Mr. Galloway answered in the SDBA each of the firms could be different but as a general rule, members give discretion to the advisor based on their roles and agendas. The opposite is true in the ICMA-RC fund line up, so when Galloway Asset Management gives complementary advice regarding the ICMA-RC funds it is up to the member to execute it.

Mr. Postil asked how a member would go about choosing from the thousands of advisors in the network.

Mr. Galloway explained the member could call TD Ameritrade and ask for a list of advisors in their area, and then interview the advisors on the list. Theoretically the member could hire any one of the advisors in the network; but they would not be limited to the advisors in their area.

Ms. Tenace asked if ICMA-RC provided any education on the SDBA, the process and what is out there so that members were aware of all their options.

Mr. Wedemeyer answered no.

Mr. Galloway said he thought the reason for that was that if they guided members through the process they are taking on responsibility.

Mr. Woodrich felt he was not ready to vote on this today, but to meet the drop deadline the Board would have to hold a special meeting to vote later.

Mr. Galloway explained even if the Board activated this option today there would not be enough time to contact everyone affected, but they would do their best to reach as many as possible, and Ms. Jamison would be spending extra time in Tucson until the deadline passed.

Ms. Jamison explained that even just letting members know they have that option now would potentially keep them in the plan because there would be nothing on the outside they could not get inside the plan.

Mr. Galloway said if the Board activated the advisor network they would tell public safety employees in the drop program to put their money in their ICMA-RC accounts, open a SDBA and hire from within the advisor network available, if they wanted an investment advisor.

Mr. Woodrich expressed concern over the monopoly Nationwide seems to have in the Fire Department.

Mr. Galloway explained activating this option would not give Nationwide an advantage to have money rolled out of ICMA-RC. Theoretically it would give ICMA-RC an advantage to have money rolled out of Nationwide.

Ms. Tenace stated she was prepared to vote today. This was activating an option already available, and after viewing the disclosure statements, the self-directed title in and of itself is a good indicator to the employee that they are on their own, the language in the standard contract absolves the employer of any liability, if there are concerns on reports regarding the SDBA they could improve the disclosure language on those reports. The Board already went through a competitive process regarding this option. She was ready to vote but respectful of any other Board members who might need more time to make a decision.

Ms. Hill concurred.

Mr. Postil also concurred.

A motion to activate the advisor option for the Self-Directed Brokerage Account option currently offered by ICMA-RC was made by Steve Postil, 2nd by Karen Tenace, and passed by a vote of 5 – 0.

H) Call to Audience – None were heard.

I) Adjournment

A motion to adjourn was made by Steve Postil, 2nd by Karen Tenace, and passed by a vote of 5 – 0.


Meeting adjourned at 11:12 AM.

Approved:



Joe Barkenbush
Chairman of the Board

3/4/2016
Date



Neil Galassi, CPA
Treasury Administrator
Pension

3/4/2016
Date